

Memorandum

To: CHAIR AND COMMISSIONERS

CTC Meeting: August 18, 2005

Reference No.: 2.6f
Action Item

From: CINDY McKIM
Chief Financial Officer

Prepared by: Norma Ortega
Chief
Division of Budgets

Ref: **FINANCIAL ALLOCATION FOR PUBLIC TRANSPORTION ACCOUNT (PTA)
FUNDS TO THE DEPARTMENT FOR INTERCITY RAIL AND FEEDER BUS
SERVICES
RESOLUTION MFP-05-07**

RECOMMENDATION

The Department of Transportation (Department) recommends the California Transportation Commission (Commission) approve the attached resolution, allocating \$49,552,000 of Public Transportation Account (PTA) funds for support of Department intercity rail and feeder bus services on the Pacific Surfliner and San Joaquin routes.

PROJECT DESCRIPTION

RECIPIENT: Department of Transportation

FUNDED ACTIVITY: Department intercity passenger rail and feeder bus services with Amtrak. \$49,552,000 from the PTA will support the costs of Amtrak contracted service on the two State administered intercity rail routes as follows:

- \$20,164,700 for the Pacific Surfliner Route (11 San Diego-Los Angeles weekday round-trips, 12 San Diego-Los Angeles weekend round-trips, and five Los Angeles-Santa Barbara daily round-trips with two of these trains continuing to San Luis Obispo, plus three Amtrak Thruway bus routes).
- \$29,387,300 for the San Joaquin Route (four Bakersfield-Stockton-Oakland daily round-trips, and two Bakersfield-Stockton-Sacramento daily round-trips, plus 12 Amtrak Thruway bus routes).

DEPARTMENT ADMINISTRATION OF INTERCITY RAIL SERVICES

Pursuant to Section 99316 of the Public Utilities Code, the Commission has responsibility for allocating funds for intercity rail operating support that are appropriated to the Department for this purpose. Chapter 263 of the Statutes of 1996 (SB 457, Kelly) added Government Code Section 14031.8 which specifies that the Secretary of the Business, Transportation, and Housing (BTH) Agency shall allocate intercity rail operating funds to those intercity rail routes administered by a local joint powers board. In July 1, 1998, the Capitol Corridor Joint Powers Agency (CCJPA) assumed responsibility for administration of the Capitol Corridor. Thus, the Secretary of BTH is now responsible for allocating funds for that route.

Because the Commission does not allocate funds for the Capitol Corridor, this Route is not covered in detail in this document. However, data is provided for 2005-06 on costs and revenues and the appropriation level for the Capitol Corridor and for farebox ratios from Federal Fiscal Year (FFY) 2003-04 through FFY 2005-06 on the three State funded intercity rail routes. Additionally, on a quarterly basis, the Department provides the Commission data and analysis presenting actual ridership, costs, revenues and farebox ratio on all three intercity routes.

INTERCITY RAIL APPROPRIATION IN THE FY 2005-06 PROPOSED BUDGET ACT

Provision 1 of Item 2660-001-0046 of the FY 2005-06 Budget appropriates \$73,138,000 in PTA funds for intercity rail services. (The amounts for each route are not specified in the Budget.) The appropriation amount is based on Amtrak's contract estimates for State costs for rail services on the Pacific Surfliner, San Joaquin, and Capitol Corridor routes. The table below shows how the \$73.1 million is distributed among the three routes.

Proposed FY 2005-06 Budget Appropriation (Item 2660-001-0046) For Intercity Rail Services	
ROUTE	FUNDS
Pacific Surfliner	\$20,164,700
San Joaquin	\$29,387,300
Allocation Request	\$49,552,000
Capitol Corridor	\$23,586,000
Budget Total	\$73,138,000

ALLOCATION AMOUNT

Pacific Surfliner and San Joaquin Routes

The Department is requesting an allocation of \$49,552,000 for the Pacific Surfliner and San Joaquin routes. This allocation request will fund service on those two routes for FFY 2006 (October 2005 – September 2006). The table on the following page compares the funds requested for FFY 2005-06 to those allocated for FFY 2004-05, as well as actual expenditures for FFY 2003-04.

Trends in State Costs

As reflected in the table below, combined State costs in FFY 2005-06 for anticipated services on the San Joaquin and Pacific Surfliner routes are projected to be \$49,552,000. This is the same amount that was allocated from FFY 2002-03 through 2004-05. Four years of stable State costs is a very positive trend and is unprecedented in the history of State-supported intercity rail service. In addition, Amtrak projects that State costs for the same level of service will not increase until FFY 2007-08. There is a slight decrease in costs in FFY 2005-06 on the Pacific Surfliner Route as compared to FFY 2004-05 and a slight increase in costs on the San Joaquin Route. FFY 2005-06 costs of \$23,586,000 for service on the Capitol Corridor are also the same as in FFY 2004-05.

FFY 2003-04 through 2005-06 (Pacific Surfliner and San Joaquin Routes) State Costs for State Administered Intercity Rail Operations (\$ in thousands)			
ROUTE	FFY 2003-04 (Allocation)	FFY 2004-05 (Allocation)	FFY 2005-06 (Current request)
Pacific Surfliner	\$21,719	\$20,949	\$20,165
San Joaquin	<u>\$27,961</u>	<u>\$28,603</u>	<u>\$29,387</u>
TOTALS	\$49,552	\$49,552	\$49,552

Allocation Transfer Between Routes

The Commission has recognized in its allocation resolutions for prior years that actual expenditures by route may differ from the estimates provided in the allocation request. Thus, as in prior years, the Department requests the Commission grant the authority to transfer between the San Joaquin and Pacific Surfliner State-administered routes up to ten percent of the amount allocated to each route, based upon actual expenditures or emergency situations. Changes above ten percent must be approved by the Commission prior to expenditure. The Department will report these changes, if any, to the Commission in the quarterly report.

FINANCIAL PERFORMANCE OF ROUTES

The table on the following page shows the projected financial performance of the three State-supported routes. Total expenses for State-supported services (operating expenses and minor capital costs), less passenger revenues from passengers (ticket revenue plus food and beverage revenues) equal the net loss of services, which is covered by the State. For the three State-supported intercity routes, Amtrak projects total operating expenses of \$140.2 million and minor capital costs of \$975,000. Subtracting passenger revenue of \$68.1 million results in State support of \$73.1 million. The composite farebox ratio for the three State-supported routes is projected at 48 percent. (Farebox ratio equals revenues divided by total operating expense; minor capital costs are not included in total expenses used to calculate the farebox ratio.) The farebox ratio for the Pacific Surfliner Route is projected at 59 percent, the San Joaquin Route at 45 percent, and the Capitol Corridor at 41 percent.

FFY 2005-06 State-Supported Intercity Rail Routes Financial Performance (\$ in thousands)					
ROUTE	TOTAL EXPENSES	PASSENGER REVENUES	MINOR CAPITAL **	NET LOSS (STATE SUPPORT)	FAREBOX RATIO**
Pacific Surfliner *	\$48,568	\$28,728	\$325	\$20,165	59%
San Joaquin	\$52,463	\$23,401	\$325	\$29,387	45%
Capitol Corridor	\$39,628	\$16,367	\$325	\$23,586	41%
TOTALS	\$140,228	\$68,065	\$975	\$73,138	48%

* Excludes Amtrak 30 percent basic system share of route.

** Minor capital expenses are not included in the calculation of the farebox ratio.

The following table shows the farebox recovery ratios for all three routes from FFY 2003-04 through FFY 2005-06. For the Pacific Surfliner and the San Joaquin routes combined, the estimated farebox recovery ratio for FFY 2005-06 is four percent higher than the actual farebox recovery ratio for year-to-date FFY 2004-05 (October 2004 – June 2005). For the Capitol Corridor, the estimated farebox recovery ratio for FFY 2005-06 is projected to be four percent higher than in FFY 2004-05. The farebox ratio on the Pacific Surfliners was down in the winter of 2004-05 because of the severe winter storms and the resulting service disruptions. Also the year-to-date data on all three routes does not include the high ridership summer months that traditionally bring up full-year farebox ratio.

FFY 2003-04 through 2005-06 Farebox Ratios			
ROUTE	FAREBOX RATIO		
	FFY 2003-04 (Actual)	FFY 2004-05 (Actual Oct.-June*)	FFY 2005-06 (Budget)
Pacific Surfliner	55%	53%	59%
San Joaquin	45%	43%	45%
Capitol Corridor	36%	37%	41%
TOTALS	45%	44%	48%

* June revenue data is estimated.

ALLOCATIONS IN FY 2006-07 AND BEYOND

The Department and Amtrak's ten-year vision for the Pacific Surfliner Route is hourly service between Los Angeles and San Diego. The Department's current projections for increases in service include one additional round-trip from San Diego to Los Angeles to start in 2007-08. The Department's current projections for the San Joaquin Route include no additional frequencies in the near future.

STATUS OF AMTRAK

Although Amtrak still faces serious hurdles in obtaining federal funding in FFY 2006, Amtrak has made significant progress in reducing costs and increasing ridership in the last few years. Amtrak's FFY 2004 ridership was 25.1 million, four percent above the prior year and the highest in Amtrak history. The deficit per train mile has decreased from \$22 in FFY 2000 to \$13 in FFY 2004. Staffing has been reduced by 20 percent since FFY 2001.

Amtrak's financial status continues to be unstable. Amtrak's funding level for FFY 2005 is \$1.2 billion. With the addition of a \$250 million carry-over from FFY 2004, the total budget for FFY 2005 is \$1.45 billion. For FFY 2006, the Amtrak Board in their "Amtrak Strategic Reform Initiatives and FY06 Grant Request" asked for \$1.82 billion, stating that amount is necessary to maintain service levels and continue to bring the capital infrastructure to a state of good repair. Amtrak calls for transitioning to a competitive environment, performance thresholds for long-distance routes, near term financial and structural initiatives, and a 20 percent state / 80 percent federal capital grant program. The federal administration proposes zero funding in its budget, stating that if Amtrak reform legislation is passed, additional funding would be proposed. The Administration's reform proposal includes division of Amtrak into three companies, quick transition to a competitive environment, and a 50 percent state / 50 percent federal capital grant program.

The Amtrak funding legislation for FFY 2006 is now moving through Congress. On June 29, the full House, in a voice vote provided Amtrak \$1.176 billion. The funding bill will now move to the Senate, which is expected to appropriate a higher funding level than the House. The final appropriation amount will be decided in Conference Committee.

CALIFORNIA TRANSPORTATION COMMISSION

Commission Allocation Approval Federal Fiscal Year (FFY) 2005-06 Amtrak (Intercity Rail) Operating Support

Resolution MFP-05-07

- 1.1 WHEREAS, under Section 99316 of the Public Utilities Code, the California Transportation Commission (Commission) has responsibility for allocating intercity rail operating funds that are appropriated to the Department of Transportation (Department) for Department-administered corridors; and
- 1.2 WHEREAS, Provision #1 of Item 2660-001-0046 of the Budget Act of 2005-06 appropriates \$73,138,000 of Public Transportation Account (PTA) funds for intercity rail services; and
- 1.3 WHEREAS, Government Code Section 14031.8 specifies that the Secretary of the Business, Transportation and Housing (BTH) Agency shall allocate intercity rail operating funds to those intercity rail routes administered by a local joint powers board. On July 1, 1998, the Capitol Corridor Joint Powers Agency (CCJPA) assumed responsibility for administration of the Capitol Corridor. Thus, the Commission does not allocate funds for that route; and
- 1.4 WHEREAS, \$23,586,000 in budget funds are reserved for the Capitol Corridor, and the remaining \$49,552,000 in budget funds are reserved for the San Joaquin and Pacific Surfliner routes; and
- 1.5 WHEREAS, for the three State-supported intercity routes, Amtrak projects total operating expenses, including minor capital costs, of \$141.2 million. Subtracting passenger revenue of \$68.1 million, results in State support of \$73.1 million. The composite farebox ratio for the three State administered routes is projected at 48 percent (revenues/total operating expense), while the farebox ratio for the Pacific Surfliner Route is projected at 59 percent, the San Joaquin Route at 45 percent and the Capitol Corridor at 41 percent; and

- 1.6 WHEREAS, the Commission recognizes that actual expenditures on the Pacific Surfliner and San Joaquin routes may differ from current estimates. For changes of ten percent or less, the Department has total flexibility to transfer funds between the Pacific Surfliner and San Joaquin routes and will report these changes to the Commission on a quarterly basis; changes above ten percent must be approved by the Commission prior to expenditure. Transfers can be made based upon actual expenditures or emergency situations.
- 2.1 NOW THEREFORE BE IT RESOLVED, that a total of \$49,552,000 be allocated to the Department for intercity rail and feeder bus services with Amtrak as follows:
- | | |
|-------------------------|---------------------|
| Pacific Surfliner Route | \$20,164,700 |
| San Joaquin Route | \$29,387,300 |
| TOTAL | \$49,552,000 |
- 2.2 BE IT FURTHER RESOLVED, that authority is delegated to the Department to transfer funds between the Pacific Surfliner and San Joaquin routes if the changes are less than or equal to ten percent,
- 2.3 BE IT FURTHER RESOLVED, that the Department will report these changes to the Commission on a quarterly basis. Changes above ten percent must be approved by the Commission prior to expenditure.